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**TO: Economic Support Supervisors
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W-2 Agencies**

**FROM: Amy Mendel-Clemens
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BHCE/BWP OPERATIONS MEMO

No.: 03-67

Date: 11/03/2003

Non W-2 ☐ W-2 ☐ CC ☒

PRIORITY: HIGH

SUBJECT: CHILD CARE IRS 1099 INFORMATION

CROSS REFERENCE: Day Care Manual, chapter 3, section 1.6.0
BWSP Operations Memo 01-45

EFFECTIVE DATE: IMMEDIATELY

PURPOSE

The memo informs Child Care Provider Certification (CCPC) workers and Child Care Payment System (CCPS) workers of the process to properly issue IRS 1099 earnings documentation. The provider name, tax identification number (TIN) and corporation status must be entered into the payment system accurately in order to ensure that IRS 1099 forms (referred to as the 1099 hereafter) will be issued correctly.

BACKGROUND

The Internal Revenue Service (IRS) has repeatedly identified errors in 1099s that have been issued by Department of Workforce Development (DWD) to Child Care providers. The main reason for these errors is that the provider name and TIN on the 1099 do not match the name and TIN that the IRS has on file. The IRS has issued fines to DWD due to the excessive number of mismatches.

In the past, DWD has been able to show the IRS due diligence in the process of collecting 1099 information and has been able to convince the IRS to waive the fine. However, it is becoming more difficult to assure the IRS of the department's due diligence since the number of

mismatches has not dropped significantly over the past few years. Therefore it is imperative that we get more accurate provider data entered into CCPC and CCPS.

A key part of showing due diligence is the collection of the Taxpayer Identification Number Verification form (also known as the Substitute W-9 form) prior to information being entered into CCPS that effects the 1099. We need to expand our current process of verification of data used to issue 1099s. We need to verify data prior to entering or making changes in both CCPC and CCPS in order to ensure that correct 1099s are issued.

POLICY/PROCESS

CERTIFIED PROVIDERS

CCPC workers will enter the certified provider name and TIN into CCPC. The corresponding fields in CCPS are then updated. CCPC workers are also able to enter the corporation status of a certified provider in CCPC, which then updates the corresponding field on CCPS. Certifiers should only complete the corporation status upon receipt of a completed Substitute W-9 form from the provider.

If the Certifier does not complete the corporation status in CCPC, the Subsidy Details Complete Indicator field on the CCPS screen CCPD - Provider Demographics will display "N". When this occurs, the CCPS worker will need to obtain the Substitute W-9 form from the provider and enter the corporation status on the CCPS screen CCWN – Provider W9 Form. This is required prior to being able to authorize to that provider.

Local agencies should determine whether the CCPC or CCPS worker is responsible for obtaining the Substitute W-9 form and entering the information into the system. The worker responsible for obtaining the Substitute W-9 form should also keep the Substitute W-9 form on file.

The CCPC or CCPS worker must obtain a new Substitute W-9 form before the name, TIN or corporation status of a provider is changed in the system. In addition, the CCPC or CCPS worker must require the provider to verify that the provider has reported the name change to the Social Security Agency before the name change is entered into the system when the provider uses a Social Security Number (SSN) for their TIN. Verification can be in the form of the SSN card displaying the new name. The Check/EFT Payable field on the CCPS screen CCPD – Provider Demographics can be used if the check must be in the new name of the provider prior to the Social Security Agency receiving the name change. The new payee name can also be entered on CCPC in the "Subsidy Details" screen.

LICENSED PROVIDERS

CCPS workers are responsible for entering new licensed providers into CCPS. Prior to entering the new provider, the CCPS worker must obtain a completed Substitute W-9 form from the provider. The name, TIN and corporation status on the Substitute W-9 form must be used when completing the CCPS screen CCWN – Provider W9 Form.

CCPS workers are also responsible for updating information on licensed providers. The CCPS worker should obtain a new Substitute W-9 form before the name, TIN or corporation status of a provider is changed in CCPS.

There are times when the name of the day care center is different from the name associated with the TIN. For example, the corporate name of a center may be Ajax, Inc and the name of the center is Jack and Jill. The name associated with the TIN is Ajax. The business name that must be entered on the CCPS screen CCWN – Provider W9 Form is Ajax. The name the center is known by (Jack and Jill) can be entered in the Location Name field on the CCPS screen CCPD – Provider Demographic. The check will be issued to the name in the Business Name field. In this example, the check would be issue to Ajax, Inc. If the provider wants the check issued in another name, that name must be entered in the Check/EFT Payable Name field.

When a day care center is purchased by a new owner with a different TIN than the current owner, the day care must be entered as a new center and receive a new provider number. If a new provider number is not entered and the new owner 1099 information is typed over the old provider 1099 information on the CCPS screen CCWN – Provider W9 Form, the new owner will receive a 1099 indicating that they received all payments made to that provider number for the entire year. By entering a new provider number for the new owner, we ensure that the 1099 amount will be accurate. If the child care agency finds out that a new owner has purchased a center and child care issuance has been made to the old provider number, contact the Child Care Section so that a correction can be made to the 1099s for those providers.

Workers must follow the process outlined in the “Certified Providers” section when a licensed provider wants to change their individual name and they are using a SSN as a TIN.

SSN DISCREPANCY REPORT

The Enterprise Outlook Solution (EOS) report titled SSN Discrepancy Report (report number CC45) is updated quarterly. This report identifies where there is a mismatch between the provider name, SSN or date of birth (DOB) compared to the Social Security Administration information. Please access this report once per quarter and make any necessary corrections to CCPC or CCPS. The information in the Error Condition/Discrepancy field on the report is sometimes difficult to interpret. The best way to identify the error is to follow up with provider to confirm their name, SSN and DOB. Be sure to ask the provider if is she has changed her name and not informed the Social Security Administration

CONTACTS

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Note: Email contacts are preferred. Thank you.